




Memorandum

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To: Hon. Carlos Alvarez, Mayor, Miami-Dade County

From:  Christopher Mazzella, Inspector General

Date: August 21, 2008

Subject: Suited for Success, Ms. Sonia Jacobson, Executive Director, Ref. IG07-70

Attached please find the Office of the Inspector General's (OIG) Final Report on the above-captioned community based organization and its executive director. Suited for Success (SFS) has been a recipient of Miami-Dade County funds since 1998. Most recently, SFS received funds through the Miami-Dade County Department of Human Services (DHS), Contract No. PS0607-84. The OIG's investigation and report concerns the misuse of agency funds by the executive director and others for personal use. A second allegation that arose during the course of the investigation involves whether performance goals were actually attained or whether clients that were funded through another grant were inappropriately applied to meet the goals on the County's grant.

As for the first issue of using agency funds for personal use, the OIG's investigation sustained the allegation. And while the monies have been repaid, the OIG believes other actions—beyond repaying the money—which address accountability should have been appropriate. On the second issue, the OIG gathered documentation regarding the training services provided to SFS clients, which we will turn over to DHS (the monitoring agency) for its determination of whether the goals were actually met. We believe that this matter should be addressed prior to any additional remittances of grant proceeds by the County. The OIG requests to be provided with a status report in 60 days, on or before October 21, 2008, as to the status of DHS' determination.

cc: Hon. Chairman Bruno A. Barreiro, Miami-Dade Board of County Commissioners
Hon. Audrey Edmonson, Chair, Economic Development & Human Services Committee
George Burgess, County Manager
Irene Taylor Wooten, Special Assistant, Social Services
Phyllis Tynes-Saunders, Director, Human Services Department
Charles Anderson, Commission Auditor
Clerk of the Board (copy filed)
Ms. Pamela Anselmo, President, Suited for Success Board (under separate cover)
Ms. Sonia Jacobson, Executive Director, Suited for Success (under separate cover)

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SYNOPSIS

On or about September 20, 2007, an e-mail from Humberto Aguilar was forwarded to the Office of the Inspector General (OIG) by the County Manager's Office. Humberto Aguilar, a former employee of Suited for Success (SFS), alleged in the e-mail that Sonia Jacobson, the Executive Director of SFS, had used agency funds to pay her own personal expenses. SFS is a non-profit, (501)(c)(3), community based organization (CBO), which has received Miami-Dade County (County) funds since 1998. Most recently, SFS was awarded a \$37,000 grant from the County covering the period of January-September 2007.

After interviewing several former employees of SFS, members of its Board of Directors, and Ms. Jacobson, the OIG found evidence to sustain the allegation that Ms. Jacobson misused the agency funds. After the abuse was discovered, the SFS Board re-engaged its independent auditor to conduct a subsequent audit to assure itself that all known misused funds were reimbursed by Ms. Jacobson. Additionally, new policies and procedures were ratified and implemented by the SFS Board to thwart future problems of this nature. The OIG notes that these funds could not be exclusively traced back to Miami-Dade County funds, as several grant awards were co-mingled in the SFS operating account.

While the SFS Board has taken positive steps to address the finding of agency funds misuse, e.g., re-audit and adopting new policies and procedures, etc., it is of concern to the OIG that the Board has not taken any action to hold its Executive Director accountable.

Lastly, in the course of our review, OIG agents were informed by former SFS employees that the agency portrayed meeting the required goals of the County's grant by listing clients that were funded through another grant. It was also alleged that these clients did not receive the proposed training. The documentation provided to the OIG will be turned over to DHS, the monitoring agency, to establish whether or not the specific goals were appropriately met. No additional County funds should be disbursed until this matter is resolved.

BACKGROUND

SFS is a non-profit, (501)(c)(3), CBO located at 2650 SW 27 Avenue, Suite 302, Miami, Florida. SFS was established in 1994 to assist at-risk women, men, and youth ages 11-18 years of age to enter and succeed in the workplace.¹ SFS has received funding from

¹ SFS is an affiliate of the global organization, Dress for Success, which is headquartered in New York City. SFS is independently operated and has its own Board of Directors.

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Miami-Dade County since 1998, which was disbursed and monitored by the Office of Community Development (OCED) through 2006. In January 2007, the Department of Human Services (DHS) took over the job of monitoring the agency. A grant in the amount of \$37,500 was awarded to SFS through County Contract No. PS0607-84. This grant covered the period of January through September 2007. DHS has disbursed \$9,375 to SFS. A balance of \$28,125 remains under the grant, which is being withheld pending the outcome of this review. The scope of services to be provided by SFS under the terms of the grant include training on interview preparedness, business etiquette, and professional appearance and the provision of clothing to targeted clients. SFS also receives funding from several private organizations.

INVESTIGATION

OIG Special Agents met with Mr. Aguilar on October 1, 2007 about his allegation that Ms. Jacobson misused funds. He provided the OIG with copies of documents supporting his allegations but could not specify the source from which the funds had been misappropriated.

OIG Special Agents spoke with several SFS employees to independently obtain information as to the allegation of misuse of organizational funds. Agents also spoke with SFS Board President Pamela Anselmo and former SFS Board Officer, Maria Yip. Ms. Anselmo informed the OIG agents that after it was determined that Ms. Jacobson misused agency funds, new organizational policies and controls were implemented in October 2007. These changes were intended to ensure that no future issues of this nature would occur again. A copy of these policy changes was provided by Ms. Anselmo.

The OIG learned that in the normal course of SFS' business, independent auditor Verdeja & De Armas, LLP was hired to conduct the annual FY 2005-2006 audit. The management letter, which was submitted to SFS in November 2006, included a statement regarding the internal financial controls of the agency. The report concluded that there were personal charges on the corporate credit card deemed inappropriate in the amount of \$2,553. These charges were incurred by Ms. Jacobson.

According to Maria Yip, she was provided with a copy of an internal report sometime in January 2007 entitled *Due from Employees*. Apparently, this is an annual report prepared by SFS Bookkeeper Jean Cole, which itemizes personal transactions for each fiscal year. The OIG was provided copies with the reports for fiscal years 2005, 2006, and 2007 (up to April 2007). (**Exhibit 1²**) In these reports, additional misappropriated

² Exhibit 1 has been re-sized by the OIG in order to fit on one page for better legibility. Included in this exhibit is the response prepared by SFS to the audit conducted by KPMG, which details the unauthorized expenditures and reimbursements.

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amounts—above what was reported in the Verdeja & De Armas’ management letter—were found. The *Due from Employees* reports documented the practice of taking cash advances and using SFS funds to pay personal bills, such as car repairs, insurance, and dental expenses by Ms. Jacobson, beginning in January 2005. Although the expenditures of 2004 were not itemized, a balance of \$985.71 was carried over to 2005. Ms. Jacobson authorized these funds to support her and occasionally other SFS employees until their regular salaries were disbursed. These findings were undisputed by Ms. Jacobson, who explained to OIG agents that she was not aware that she could not do this. She further explained that she generally paid the money back from her next paycheck.

The chart below displays the total amount of unauthorized funds used and repaid by Ms. Jacobson for the years 2005, 2006 and 2007

FISCAL YEAR	BALANCE FORWARD	FUNDS USED	FUNDS REPAID
June 2005	\$985.71 (2004)	\$3,422.26	\$3,971.70
June 2006	\$436.27	\$4,511.44	\$4,547.71
April 2007	\$400.00	\$7,092.76	\$7,099.48
	\$393.28	No information available	No information available
TOTAL		\$15,026.46	\$15,618.89

The *Due from Employees* reports also revealed that Mr. Aguilar (the complainant) received \$4,540 in unauthorized agency funds during the period beginning May 2006 through June 2007. Repayment of \$3,800 by Mr. Aguilar was documented in the reports. According to the bookkeeper Cole, the remaining balance of \$740 was repaid by Mr. Aguilar. Additionally, Ms. Cole used the SFS Federal Express account to ship personal packages totaling \$73.56, which she has since reimbursed to SFS.

According to Ms. Cole, it was determined that Ms. Jacobson had an outstanding balance of \$5,747.01 after the additional instances of abuse were discovered by the Board. Verdeja & De Armas, LLP was re-engaged to conduct a “subsequent event” audit to assure that all misused funds were accounted for. It should be noted that the Knight Foundation, which also provided funding to SFS, hired KPMG, a certified public accounting firm, to conduct an audit of its grant. According to Board President Ms. Anselmo, the results of the KPMG audit were in agreement with the Verdeja & De Armas audit.

The Board addressed Ms. Jacobson about the use of agency funds and a payment plan was established in April 2007 to repay what was described by Ms. Jacobson as loans

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and salary advances. **(Exhibit 2)** To date, all known funds totaling \$5,747.01, have been repaid by Ms. Jacobson. **(Exhibit 3)**

In the course of the OIG's review, former SFS employees interviewed by the OIG raised other issues relating to SFS' performance in accordance with the grant. These individuals questioned whether the services required to be provided under the grant were actually provided. For example, they stated that clothing and training be provided to at least 150 clients during the contract period of January – September 2007.³ **(Exhibit 4)** The documentation provided by SFS to the OIG for our review clearly showed that clothing was provided to the referred clients, however, the training services were not as clearly documented. In addition, it appears from the documentation reviewed by the OIG that 34 of the same clients were listed to reach the goals under both its County contract **(Exhibits 5)** and Knight Foundation contract. **(Exhibit 6⁴)**

OIG Special Agents met with Ms. Jacobson on March 13, 2008 to go over the allegations and findings. Ms. Jacobson explained that she does all the training of the referred clients under the County contract. According to Ms. Jacobson, the original list of County clients provided by SFS to the OIG was inaccurate, causing the appearance that the clients were double counted. She stated that she would provide a corrected list to the OIG. On March 19, 2008, a revised list of clients serviced under the Miami-Dade County contract was provided to the OIG, which had no duplicated clients.⁵ **(Exhibit 7)**

RESPONSES TO THE DRAFT REPORT & OIG COMMENT

On July 17, 2008, this report, in its draft form, was provided to Ms. Jacobson and Ms. Anselmo, with a copy to Ms. Yip, for their discretionary response. The OIG received a response from Ms. Anselmo **(Appendix A)** and we received a note of clarification from Ms. Yip. **(Appendix B)** The OIG did not receive a response from Ms. Jacobson.

Ms. Anselmo strongly objects to the OIG's "finding that the Board of Directors failed to take any 'action to hold its Executive Director accountable.'" Ms. Anselmo noted that the organization has been made whole, that there was no financial loss, and that new policies and procedures have been put in place. She goes on to note that while the practice of employee advances was wrong, the evidence of tracking the amounts owed, i.e., the log, negates any fraud or deceit on Ms. Jacobson's part. Instead, the practice occurred based

³ Only the pertinent parts of the contract have been provided in Exhibit 4, which includes the front page, signature page and attachment A.

⁴ The clients highlighted in yellow on the original list of MDC clients (Exhibit 5) provided by SFS and the "Knight DB 06-07" list (Exhibit 6) are the duplicated clients.

⁵ Additional back-up documentation was also provided to the OIG by SFS along with the revised client list. Because the documentation is too cumbersome to be attached to this report, it will be forwarded to DHS for further review.

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upon Ms. Jacobson's and the bookkeeper's naivety and erroneous accounting assumptions. Lastly, she notes that Ms. Jacobson is a founding member of the organization and that to have terminated Ms. Jacobson "would have meant certain destruction of the organization."

While there has been no financial loss to the organization since Ms. Jacobson and others have repaid the amounts owed, we believe that these practices show a serious lack of internal controls that go beyond mere naivety and erroneous accounting assumptions. This practice would not have been discovered but for the follow-up that occurred after the initial audit, which found inappropriate personal charges on the corporate credit card. At the time of the full discovery, Ms. Jacobson owed \$5,747 to the organization. She may be one of the founding members of the organization, but it is difficult for the OIG to fathom that with such experience in running a not-for-profit organization, which relies upon public and private grants, that Ms. Jacobson was merely naïve to think that she could borrow against the organization's operating funds and not disclose such a practice to the Board. Thus, we believe that some level of accountability—beyond just paying back the money—is warranted. As such, no material changes were made from the draft version of this report.

CONCLUSION

The OIG found sufficient evidence that, over an extended period of time, Sonia Jacobson used agency funds for personal use. Our investigation was not able to determine the specific source of the funds expended, as all grant funds are held in one operating account. With the exception of \$9,375 disbursed at the beginning of the contract, all County funds are reimbursable to SFS only with the appropriate back-up. All outstanding balances for the salary advances and loans have been fully repaid by Ms. Jacobson. As a result, steps have been taken by the SFS Board to change policies and maintain tighter internal controls. However, it remains a concern to the OIG that Ms. Jacobson has not been held accountable for her actions other than to repay the money that was inappropriately spent without further redress by the SFS Board.

As to the issue of double counting clients and training, the OIG believes that this matter should be addressed directly by the monitoring agency, DHS, to establish whether or not the specific goals were met appropriately. This matter should be addressed prior to any additional remittances of grant proceeds by the County. As to this particular issue, the OIG requests to be provided with a status report in 60 days, on or before October 21, 2008, as to the status of DHS' determination.